

**REFERENCE MANUAL FOR
THE RENOVATION OF
MULTI-FAMILY RESIDENTIAL
BUILDINGS IN ROMANIA**

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REFERENCE MANUAL FOR THE RENOVATION OF MULTI-FAMILY RESIDENTIAL BUILDINGS IN ROMANIA

INTRODUCTION

This manual has been prepared for all owners of apartments and more particularly for leaders of owners' associations. It is intended to provide owners with an overview of the renovation process from concept to completion. It provides for leaders, who will be more intensely involved in the process, a chronological checklist of all issues they must address. It includes hints, examples and actual case studies. It is meant to be both an informational and a reference tool.

During the years 1994 to 1996 USAID sponsored a pilot condominium project in Romania. Work under this program included developing a legal methodology to form condominium associations. Work also included providing owners of privatized apartments with technical assistance regarding formation of associations, self-governance, association and property management, and maintenance and renovation of buildings. The project was conducted in the cities of Brasov, Focsani and Oradea. In each city five privatized buildings were selected to participate in the pilot project. The owners of each building formed an owners' association, separated from their tenants' associations, developed annual operating budgets, and undertook management of their property. Technical surveys were conducted at each building and associations began to plan repair and renovation projects; one association has commenced construction of a project. This manual evolved from the experiences of these associations. The examples and case studies found herein are from the pilot project.

This manual deals with the renovation and repair of the common areas (mechanical, electrical and plumbing systems and structural elements) of the building, which are the common responsibility of all of the owners. Remember that each owner is solely responsible for his or her apartment. Too often the average owner fails to look beyond the apartment and has little interest in or knowledge of the details of building operation, maintenance and repair. It is a responsibility of the association leadership to plan and carry out work in the common areas. This manual will help owners and leaders to a better understanding of the renovation process and its importance. Additional information regarding condominium operations and management can be obtained from the Condominium Operations and Management Manual for Romania. Technical assistance is available from the Opportunity Associates - Romania, PO Box 41-98, Bucharest 41, Romania; Tel/Fax (40-1) 223 06 11.

MAINTENANCE AND RENOVATION: THE TOTAL CONCEPT

The words maintenance and renovation are frequently heard together. Both are necessary for the long term physical and financial stability of a building. All the same, there

is a difference between the two, and it is important to understand this difference, even though the line between the two is not always clear.

What Is Maintenance?

The following are considered to be maintenance:

Repairs of a smaller part of a large building system (e.g., heating, domestic water supply) or the *replacement* of smaller items (e.g., light bulbs, locks or a door).

Repairs that can be paid for out of the normal maintenance fee in any given budget year (also known as a fiscal year).

Repairs that do not cause significant inconvenience for residents during the work.

Repairs having a total cost which does not represent a large extra financial burden on residents (e.g., large enough to require a bank loan or a designated savings program).

There are two categories of maintenance: *routine maintenance* and *preventive maintenance*.

Routine maintenance is the unplanned repair or replacement of items as they fail or wear out. Included in this category is the replacement of the burned out light bulb or the repair of a failed and leaking pipe joint.

Preventive maintenance is planned periodic inspection and servicing of parts of building systems in order to extend the working life and prevent premature breakdown of the system. For example, regular maintenance service on the valves in domestic water distribution systems extends the life and function of the entire system and prevents costly replacement. Periodic small maintenance repairs to roof systems prolong the life of the roof and defer replacement.

Although the costs of maintenance repairs in a particular fiscal (or budget) year may exceed the limits of the projected maintenance fees for that year, they may still be within the residents' ability to pay without undue hardship. This situation can be managed by a temporary increase in assessments. A better course of action is to conduct routine maintenance inspections, identify maintenance needs, prioritize them and develop a maintenance plan as the annual association budget is developed. For more information about maintenance refer to the Maintenance manual, which is one of the set of Condominium Operations and Management Manuals for Romania .

What Is Renovation?

Renovation (which is the focus of this manual) involves the replacement of major building systems or structural elements. Renovation requires residents to make more important decisions concerning finances and short-term quality-of-life issues. Renovation includes:

Major replacement or improvement of building systems or structures which restore or improve the original technical state or enhance safety.

Large repairs or replacements where a long-term financing plan is necessary, so that in the foreseeable future the common costs to be paid will be increased by the amount of the plan installments.

Repairs or replacements causing significant inconvenience for the residents (e.g., loss of domestic hot water for a significant period of time, closing of a common entrance).

Renovation differs from maintenance in many ways. Renovation is a very demanding process which requires substantial time and effort from the association leadership. The expense and inconvenience inherent in renovation require much more consultation and communication with residents. Renovation usually involves working with a number of different project partners, such as engineers, architects, contractors and lenders.

Most buildings in Romania are badly in need of renovation. The lack of proper building maintenance in the past has left many buildings with conditions that are obsolete and substandard. Many of these conditions must be addressed now and cannot be deferred into the future, because they threaten the health and safety of the residents.

Renovation should also be considered as an investment. As economic reforms take hold in Romania, the financial condition and mobility of the people will improve. Real estate activity (buying and selling apartments) will increase. Residents will be able to secure higher prices for apartments in renovated buildings than for those in buildings in bad condition. Experience in other markets has shown that over time the cost incurred in renovating is exceeded by the increase in market value of the apartments.

SURVEY OF PROPERTY CONDITIONS

To properly project renovation needs and plan for them, the physical condition of the building must be thoroughly appraised. This process is known as the *building condition*

survey. The building condition survey is a comprehensive analysis of all systems and structural elements of the building. This study will enable the owners to identify and prioritize problems which must be addressed. Each problem must then be analyzed individually in a *specific condition survey*. This chapter describes each of these types of surveys.

Selecting the Professional Consultant

The *building condition survey* or *specific condition survey* should be performed by a professional engineer or architect. A typical response is, But that costs money. We cannot afford such an expense. However, it is important to hire a professional because:

A trained, experienced professional sees much more than the nonprofessional. The professional knows what hidden conditions to investigate. Systems and structural problems are often interrelated in ways that only experienced professionals recognize. The residents of a building may believe that roof leaks are the greatest problem and that the highest priority must be given to roof replacement. In the same building a professional consultant may discover that gas distribution piping is dangerously deteriorated and may cause an explosion and fire in the near future. This threat to the safety of the residents should be the highest priority.

The professional consultant can save the owners' association money. While a nonprofessional may think that a heavily leaking roof must be replaced, the professional might see that the roof is actually in good condition except for a few holes aggravated by poor drainage.

Before seeking out a professional consultant to perform the survey, the owners and their representatives must first consider what kind of expert they want to perform the work and exactly what work they want the expert to do. In other words the owners must define the scope of the work which they expect the professional consultant to do in conducting the survey. Only in this manner can the owners reasonably expect the consultant to understand his or her charge and in turn fulfill their (the owners') expectations. Having a scope of work will also help the owners and the consultant agree upon the price for the survey.

The owners should also consider what qualifications they want the expert to have. Should this person be expert in a particular discipline? Does the scope of work emphasize any particular concerns? Would it be helpful if the expert has done other similar work?

Finding the right professional to perform the survey will test the resourcefulness of the owners and will be influenced by their financial means. In every county there is at least

one design institute. Most of these institutes have been privatized and are staffed with professionals from all architectural and engineering disciplines who are also familiar with the buildings in their county. The design institutes are a good place to start. But informal networking can also be used to find an engineer or architect, frequently at lower cost. Talk to business associates and owners in other buildings. There are many retired architects and engineers who will be available and are qualified. Others who are employed may be able to perform the work after finishing their day jobs.

Almost everyone knows someone who is a construction contractor. And there are some contractors who might be qualified to do surveys of the type described above. Notwithstanding that, these surveys should never be performed by a construction contractor. As unbiased as the contractor may try to be, there is a natural conflict of interest. The construction contractor makes a living selling and performing construction work. Renovation projects require construction services. The contractor will err to the side of selling services, not to saving the association money. The association is better served to use a more neutral party. If the decision is made in spite of this discussion to use a contractor for the survey, a second opinion should be solicited. The owners representative, who has probably selected the surveyor, has a fiduciary responsibility to the owners to secure unbiased, neutral advice.

The Building Condition Survey

As previously mentioned, the building condition survey is a disciplined analysis of the common areas of the building. It includes the building structure and the building mechanical, plumbing and electrical systems. The building condition is comprised of the following specific elements.

The Building Structure

- Foundation
- Basement or cellar
- Technical spaces
- Stairs and hallways
- Trash rooms
- Laundry drying rooms
- Store rooms
- Elevator shafts
- Interior structural walls
- Floors
- Exterior walls
- Hallway and stairwell walls
- Roof

Building facade

Exits

Common area doors and windows

Air shafts

Mechanical and Electrical Systems

- Domestic hot water distribution
- Domestic cold water distribution
- Waste water evacuation
- Heating energy distribution
- Electrical distribution (common areas)
- Central TV cable
- Pressure pumps
- Natural gas distribution
- Intercom and access control
- Elevator
- Trash chutes
- Common area electrical fixtures
- Chimneys
- Meters

A sample set of *building condition survey* forms is found in Appendix A.

Other Common Area General Conditions

Today in Romania the above-listed elements generally define the scope of the building condition survey. However, some municipalities may allow owner s associations to use the land surrounding their buildings. If the association has such a use privilege and if it is accompanied by an obligation to maintain and repair the land and improvements upon it, the building condition survey must be expanded to include such things as yards, sidewalks, gates and fences, gardens, surface drainage, parking lots and playgrounds. Subsurface utility easements should be located to avoid accidental disruption during renovation.

The Consultant s Report

The *building condition survey* must answer the following questions:

What is the current condition of each structural element and system component?

What is the expected useful life span of each component, and when will it have to be replaced?

As to each replacement or renovation:

What are the steps necessary to restore?

If there are alternative approaches, what are the benefits and drawbacks of each? Which approach does the professional recommend?

What kind of filing, inspection or other costs will be incurred due to government regulation?

What kind of architectural plans or other documentation will be needed?

What is the estimated cost of the replacement of system components or structural elements?

What are the priorities for renovation projects?

Are there conditions which are dangerous to the health, safety or security of the residents?

Is there a risk of breakdown in delivery of basic services?

What is necessary to improve the quality of life of residents?

Appendix B presents an actual consultant's report prepared in 1994 for a building in Brasov.

The Specific Project Analysis

Specific project analysis is a very thorough and detailed study of a particular system, component or structural element. This study is performed as a preliminary step to a specific renovation project. The discipline of the study is similar to the building condition survey, except the subject is more narrow and focused. The study must be performed by a qualified technical expert.

Evaluation of Present Conditions and Objectives

The investigator must first study the existing condition of the component that is the subject of the project. This includes a physical examination which in addition to visual examination might include testing on site and the taking of material samples for analysis. The expert should obtain appropriate building plans from the owners, the municipality or the institute which designed the building whenever possible.

The objective of this stage of the study is to develop an understanding of the situation and begin to develop a solution. For example, suppose the focus of the study is a leaky roof. Examining the roof, including how it was designed and built, will enable the expert to make several determinations, such as the source of the leak and the integrity and viability of the entire roof system.

The expert must work closely with the owners' representative and communicate regularly to ensure a good understanding of their objectives. In the example above the expert may find that the present leaks can be cured in the short term, but the roof system is worn out and additional leaks will continue to occur. The expert may conclude that the cost effective solution is a new roof, and this should be communicated to the owners. If the owners' objectives are short term and they are interested only in stopping the present leaks, such a recommendation will fall upon deaf ears. The expert cannot properly serve the owners without understanding their objectives.

Technical Feasibility of Proposed Project

As a second step, the architect or engineer should decide on the technical feasibility of the prospective project. Is the project technically feasible? Are there legal impediments to the project? Does it comply with municipal safety regulations? There is no good purpose served for owners to spend time, money and effort on a project which cannot be done.

Example: The owners of a building have long dreamed of adding an additional level of flats to the building and using these flats to develop a stream of rental income. A quick check at the offices of the municipality may show that a regulation prohibits an increase in the height of buildings on that avenue.

Example: The owners desire is replace a failing heat distribution system with a package boiler system in the building. Technical feasibility includes finding appropriate space in the building to locate the equipment, proper venting of exhaust gasses from the burner, and technical oversight of boiler operation. Other important considerations are access to fuel for the boiler and an allocation of fuel. If all of these needs cannot be satisfied, the project is not feasible.

Alternative Approaches

Frequently there is more than one approach to designing and executing a renovation project. It is the duty of the professional expert to identify the various approaches, study them and determine the benefits and disadvantages of each.

Example: A flat roof must be replaced. One approach is to completely remove the old roof, lay down insulation and install a multi-ply bituminous roof over it. A second approach is like the first but utilizes a rubber membrane over the insulation. A third approach is to leave the existing roof alone and

construct a sloped roof over a rafter system. Each of these approaches offers unique technical and economic benefits, while also having drawbacks. The professional must be knowledgeable about all.

Estimated Costs

The expert must develop an economic analysis of each alternative approach to a project. First is the actual estimated cost to execute the project. For each approach this estimate should be a hypothetical project budget (project budgets are discussed in the next chapter). Second is the effect of the project upon future operating costs of the building.

Consultant's Recommendation

As a final step in the specific project survey the expert must prepare and deliver a report to the owners in which the findings and recommendations are presented and discussed. The expert should inform the owners of the present conditions observed in the study. The expert should confirm that a project is or is not feasible and why. The owners should be fully informed of the alternative approaches available to them, along with the attendant benefits, disadvantages and economic impacts. Finally the expert should recommend a specific course of action and explain why. A project report regarding the installation of a central boiler in a building in Focsani is found in Appendix C. Detailed costing information which was part of the report has been eliminated for the sake of brevity.

PREPARING THE RENOVATION PLAN

Once an owners' association decides to proceed with a renovation project, it must develop a *renovation plan*. The renovation plan is a detailed strategy which describes how the renovation project will be financed and executed. Because the planning, financing and execution of a renovation project can take a long time to complete, a plan is a very important management tool.

The Role of the Owners

What is the role of the owners in the renovation process, apart from the obvious fact that the owners pay the bills? The owners' association is governed by its charter documents, and these may vary from association to association. As a rule the general assembly has elected an executive committee and officers have been elected. In effect these are the people who manage the day-to-day affairs of the association.

It is a good idea for the owners to appoint a renovation representative or renovation committee to manage and supervise the renovation process. It is of critical importance that these people maintain very close communication with all owners in the building. The objective is that every owner feel involved in the renovation project.

Owner involvement should be encouraged from the very beginning. If a building

condition survey has been performed, all owners should be informed of its findings. They should be encouraged to discuss factors that may have been overlooked, to challenge findings. The survey should become their survey in the sense that all the owners have accepted it.

Priorities and time frames should not be established without input from residents. Agreeing upon a specific project and establishing how and when it will be done will be in accordance with the statute, but it is desirable that as many owners as possible agree.

Owners are a valuable source of information. Informed owners may be unexpected sources of ideas and contacts for funding a project, or designing it, or contracting it.

The Renovation Plan

The *building condition survey* identifies and prioritizes prospective renovation projects in a building. The *specific project analysis* is a thorough and detailed study of a particular system, component or structural element and is performed as a preliminary step to a specific renovation project. The *renovation plan* selects an approach to solve the problem and defines how it will be financed and executed.

Selecting the Approach

This first part of the renovation plan is deciding on how to solve the problem. This means selecting the best approach for the association. It is both an objective and subjective process and can involve many considerations. The following are some factors which must be taken into account:

Design compatibility. A prospective renovation approach may not fit with existing conditions and may require modification to neighboring or related structural elements or systems. For example, a municipality may dictate the architectural appearance of a new sloped roof.

Energy efficiency. Different approaches may have different levels of efficiency and will therefore have differing effects on future operating costs.

Maintenance requirements. Different approaches may have different levels of required maintenance and as a result will have different effects on future operating costs.

Availability of materials. The materials used in one approach may be more difficult to obtain, which might delay the execution or increase the cost of that solution if it were chosen.

Expertise Level. An approach may require different or special installation/construction expertise which may not be readily available. This same can hold true for maintenance as well.

Renovation Cost. Different approaches to solve a renovation problem have different construction costs. The cost to implement an approach is an important consideration.

Owner Preference. Owners may subjectively prefer a particular approach even if other factors favor a different approach. For example owners may want a new sloped roof, even though it will cost a lot more than a new flat roof and they will have to wait a longer time before they can build it.

External Factors. Alternative approaches may be affected differently by such outside and indirect influences as government taxation policies, inflationary trends, banking practices, district heating modernization, installation of utility meters, or simply the passage of time.

Preparing the Project Budget

Owners associations are learning about *operating budgets* as they anticipate and plan for monthly utility, maintenance and other operating expenses and determine the monthly assessments which will have to be collected to provide for these costs. Unlike the dynamic, multi-period operating budget, the project budget is a static, one time projection of the total cost to plan and execute a renovation project as of the anticipated time of execution. It is also known as a *capital budget*.

The operating and capital budgets are quite separate and independent with the exception of two common factors - paying for the renovation, and any increase or decrease in common operating expenses which may result from the renovation. These factors will affect the operating budget.

For example, if the association borrows to pay for the renovation, the monthly payments to service the debt will increase assessments and will be reflected in the operating budget. Similarly, if a savings plan is implemented to fund a renovation, monthly assessments will increase, and the operating budget will be affected accordingly.

Example: The installation of a central boiler will have many effects upon operating expenses and the operating budget. Payments for heating hot water and domestic hot water will be eliminated, but payments for domestic cold water, fuel for the equipment and maintaining and operating the

equipment will increase.

The project budget contains two major categories of costs: *direct costs* of the renovation and *indirect costs* associated with the renovation:

Direct Costs

Materials - cost of materials to be used in the renovation

Labor - cost of labor to executed the renovation

Contractor Overhead - contractor s operating costs which are allocated to the project

Contractor Fee - contractor s profit

Note: Typically a contractor is retained to provide the materials for the job and to perform the installation. In addition to his cost to procure the material and pay the labor he incurs certain other costs to operate his business and these are allocated to the various contracts he performs. The contractor will also add a profit. All of these elements together comprise the contractor s total contract price. If a contractor is not used, the overhead and fees may not be a factor, but the association might incur other costs which must be considered. For example, the contractor might own a truck which he uses to transport the materials to the job site. His costs to own and operate the truck are a part of his overhead costs. In the absence of the contractor with his truck the association has to hire a truck and driver to transport materials for them.

Indirect Costs

Design Costs - Architectural/Engineering fees for plans, specifications and materials listings.

Legal Fees - An attorney may be needed to prepare and negotiate documents for the construction contract, bank loan, etc.

Bank Fees

Public Approvals/Permits - Most municipalities require various approvals and permits for a renovation project and will charge a fee for these actions.

Construction Supervision - Fees paid to an expert (if any) hired to oversee the activities of the construction contractor.

Contingency - It is prudent to budget and fund an allowance for unexpected

costs. An amount equal to 10 percent of budgeted direct costs is standard.

Note: Indirect costs are moneys paid to persons, institutions and municipalities for services and costs related to the renovation, but not a part of the actual construction.

Total Cost - The sum of Direct Costs plus Indirect Costs

FUNDING THE RENOVATION

Once the renovation budget has been developed, it is time to get serious about how to pay for the renovation project. This process will involve identifying and analyzing possible funding methods and selecting the method or combination of methods to use.

Self-Financed Renovations

The cost of many renovation projects is large enough to exceed the owners available funds. In many countries external sources of funding, such as bank loans, are available to associations to overcome this shortfall and enable timely execution of the work. In Romania such external sources of funding for renovation projects, such as bank loans or government subsidies, either do not exist or are not practicable at this time. As a result associations must rely primarily upon self-financing, which renders the renovation process more difficult and lengthens the time to completion.

Renovation Fund

Many owners associations create special funds specifically designated for renovations. A renovation fund is funded by increasing regular maintenance assessments by a predetermined amount and segregating the excess funds collected each period into a renovation account. Over time an association can accumulate a substantial amount of money, which can then be used to pay for a renovation project. Of course projects must be deferred until the account is built up.

Example: If a 50 apartment building collects 25,000 lei per unit per month for the renovation fund, in one year the owners will add 15,000,000 lei to the fund.

Level Maintenance Assessments

An alternative means of raising moneys for the renovation fund is to collect maintenance assessments at the same rates year round and base them upon the higher

winter expenses. In summer, when utility bills are substantially lower, a surplus will develop.

Example: A 34 unit association incurred the following expenses last year:

| | | | | | |
|----------|---------------|--------|---------|-----------|-----------|
| January | 1,239,450 lei | May | 604,760 | September | 593,820 |
| February | 1,345,582 | June | 534,288 | October | 758,309 |
| March | 1,299,745 | July | 679,260 | November | 707,306 |
| April | 759,830 | August | 620,304 | December | 1,565,860 |

Total Annual Expenses - 10,708,514 lei

This association assessed its members an amount equal to the expenses. Assuming December expenses for the prior year were the same as for the subject year, had the association established a level monthly assessment equal to that amount, or 1,565,860 lei, during the course of the year the association would have collected 8,081,806 lei in excess of expenses.

One-Time Fee

Where the income and savings level of the owners can support it, renovations can be paid for by a one time special assessment collected from the owners.

Example: A 40 unit building faced major roof repair costing 5,000,000 lei, or 125,000 lei per apartment. This association determined the owners could afford a one time assessment for their pro rata shares.

Alternatively, another association in similar straits might have decided the best solution was to assess each member their pro rata share in 5 equal monthly installments.

Yet another association might have had 3,000,000 in its renovation fund and discovered that the best solution for it was to use those moneys and assess each owner a one time fee of 50,000 lei to fund the difference.

Renovation Savings

Often a renovation project will improve operating expenses or reduce utility usage, resulting in operating savings. Rather than using these savings to offset other expenses and reduce assessments, the association can use them as a source of funds for the renovation fund.

Example: An association installed metering equipment on the heat energy system, the domestic hot water system and the domestic cold water system. During the 12 months prior to meter installation the total cost of the three utility services was 8,756,000 lei. During the 12 months subsequent to meter installation the total cost was 7,108,514 lei. The association was able to add 1,647,486 lei, the amount of the savings to its renovation fund.

Do It Yourself

This is a common method of self-financing renovations which is used throughout the world. Do It Yourself, as the phrase implies, means that the owners themselves undertake part or all of the work of a renovation project. In one of its simplest and most common forms, the owners association obtains renovation materials on its own, rather than utilizing the contractor to obtain the materials. The association saves the overhead costs and fees which the contractor typically adds to his cost for the materials. Through personal contacts of individual owners associations can frequently buy at costs equal or less than those paid by the contractor. The contractor will insist upon payment in advance for the materials, so the association gains nothing from the timing of payment for materials.

Some owners associations have among the individual owners the requisite technical skills to undertake some or all of the labor for a renovation project. Because labor is often the most expensive part of a renovation project, this form of do-it-yourself may offer substantial savings and make funding the renovation much easier. However, associations must take care to restrict their labor activities to those which their residents have the technical skills to undertake.

Example: A small ten unit association decided to add an additional level of flats to their building. They had not been able to develop a renovation fund. They were aggressive and willing to take on a bank loan. The owners were technically competent to undertake much of the work themselves. Their major concern was speed - how could they be sure that the outer shell for the new space would be in place and weather tight by winter. This association decided to hire a contractor to provide necessary materials and labor to erect and enclose the shell. The owners agreed to obtain a bank loan to fund this part of the work. The renovation plan then called for the owners to perform virtually all of the interior mechanical, plumbing, electrical, partitioning and finish work themselves. The owners agreed to assess themselves for the costs of the materials for the interior work. Market analysis showed that the economic benefits of renting the new flats were superior to the benefits of selling them.

Other Fund Raising Activities

Owners' associations and their members find many creative ways to raise funds for renovation.

Example: In one building the residents perform regular cleaning service in the common areas. The owners are assessed for the money which would otherwise be paid to contract cleaning personnel and the funds are paid into the renovation fund. Another association has taken this technique one step further and contracts its members out to neighboring buildings for cleaning and other services.

Using Bank Loans

Banks are beginning to make housing loans, and some have indicated that they will lend to owners' associations for renovation purposes. However, loan conditions are not favorable, with short terms of one to five years and interest rates in excess of 50 percent per annum. Further, present economic conditions are sufficiently unstable to discourage most citizens, so that today there is little, if any, lending and borrowing activity of this type.

In the future, as Romania's economy improves bank loans should become a routine source of funds for renovation projects. Some associations are already finding occasions wherein bank loans make some sense. Condominium managers and others involved in managing and supervising renovations may want to consider bank loans as a financing alternative, carefully comparing them with other alternatives. Appendix D of this manual discusses loan applications. Loans and lenders will be referred to elsewhere in this manual as appropriate.

Borrowing allows the renovation project to be executed more quickly than waiting until the money has been saved and is in hand. How does the association decide which way to go? The answer depends upon a number of factors: the cost of borrowing, the rate of interest which can be earned on savings, the rate of annual inflation for construction costs and, perhaps most importantly, the urgency of need for the renovation project.

Example: In Romania in mid 1997 construction costs were increasing at an annual rate of 25 percent. Savings accounts were earning interest at the rate of 50 percent. A bank loan could be obtained for renovation at an interest rate of 65 percent and with a term of 5 years. Suppose an owner's association needed 5,000,000 lei for a renovation project. Their alternatives are to borrow and do the project immediately or save until enough money is amassed to pay for the project.

If they borrow now they would have to make monthly payments of 282,770 lei

per month for five years to fully repay the loan.

If they save and wait, inflation will cause the cost to become higher with each passing year, so the saving plan will be determined by how long the association plans to wait before commencing the work. The table below shows for this example what the cost might increase to in each year and the amount of money which would have to be saved monthly to match that cost. In other words the savings figure is the amount which would have to be saved monthly starting now in order to accumulate the project cost shown for the respective year.

| Time | Project Cost | Required Monthly Savings Starting Now |
|-------------|---------------------|--|
| Now | 5,000,000 lei | |
| Year 1 | 6,250,000 | 411,990 lei |
| Year 2 | 7,812,500 | 195,657 |
| Year 3 | 9,765,625 | 121,555 |
| Year 4 | 12,207,031 | 83,443 |
| Year 5 | 15,258,789 | 60,090 |

In this example the numbers argue strongly against borrowing. Only if the renovation cannot be deferred until the second year can an argument be made to borrow. Even then the argument might be made that if the association can manage monthly payments of 282,770 lei for 5 years, they can find a way to save 411,990 lei per month for one year.

As Romania's economy matures, the assumptions in the example above will change. Construction costs might increase at an annual rate of 15 percent. Savings accounts might earn interest at 12 percent. A bank loan might be obtained for renovation at an interest rate of 17 percent with a term of 5 years. Now the numbers in the example take on a different look.

Example: If the association borrows now they will have to make monthly payments of 124,263 lei per month for five years to fully repay the loan.

If they save and wait the table would look like this:

| Time | Project Cost | Required Monthly Savings Starting Now |
|-------------|---------------------|--|
| Now | 5,000,000 lei | |

| | | |
|--------|------------|-------------|
| Year 1 | 5,750,000 | 453,380 lei |
| Year 2 | 6,612,500 | 245,148 |
| Year 3 | 7,604,375 | 176,530 |
| Year 4 | 8,745,031 | 142,839 |
| Year 5 | 10,056,786 | 123,140 |

Assuming there is no urgency to do the renovation work, the association under these circumstances would have to save for five years to do the work. Their monthly investment would be nearly equal to the debt payments if the work were done now. Why wait five years to do the work? That question assumes there is no urgency to do the work. Urgency can make more compelling the argument to borrow.

People Who Do Not Pay

Despite the best attempts of an association's leadership to develop a consensus and persuade residents, there will be certain residents that cannot or will not pay for renovations. This is perhaps one of the most difficult issues an association must deal with in renovation.

People Who Cannot Pay

Some residents may have temporary financial difficulties which prevent them from making additional payments for renovation at the time the payments are needed. Other residents may be chronically unable to make the additional payments. This latter group may include pensioners, single mothers, or those unemployed due to disability. The association has a number of options available to it under these circumstances, but in most instances the option must be tailored to the individual who cannot pay.

Some residents are temporarily unable to pay a special assessment for renovation or to increase their monthly payments for contribution to a renovation fund or loan repayment. In such cases, it is not uncommon for them to enter into a contract with the association by which they agree to a future payment schedule at a time when they are able. In the interim other owners make up the current shortfall with the expectation of repayment later.

A variation of this scheme is sometimes used with pensioners. The association assesses other owners for the pensioner's share and the pensioner allows the association to place a lien upon the apartment. A lien is a legal claim against the apartment. It is an encumbrance against the title of the unit. The lien on the apartment represents a guarantee to the association of repayment of the moneys assessed on behalf of the apartment owner. The lien document can be worded to require that the debt be paid off

before the apartment can be sold (title conveyed to another party). The association can then repay the other owners from the proceeds.

The association may decide that only those able to pay will pay for the renovation and that nothing will be asked of those who cannot pay. This is advisable only if such a consensus can be found without causing resentment among owners who do pay.

Exhibit G presents a sample lien document which might be used in such a situation.

Those Who Refuse to Pay

There may be owners who are fully capable of paying their fair share, but who refuse to do so, in spite of their legal responsibility. In such a situation the association should take legal action. The procedure for collection is the same as that for nonpayment of maintenance fees.

It is the responsibility of the association leadership to ensure that all actions and resolutions of the general assembly and the leadership comply fully with the association charter and the Housing Law no. 114/1996. Article 30 in Chapter VII of the General Regulations of the Owners Association found in Annexe no.2 of the law stipulates that with the approval by vote of 2/3 of the members of the owners association special assessments over and above the common expenses can be imposed. Article 31 permits the imposition of penalties for non-payment of any assessment within 30 days of its due date.

If collection efforts fail and the delinquency exceeds 90 days the association is entitled by Article 31 to take the debtor to court in order to secure payment. In the event of a court decision favorable to the owners association, the association may then pursue collection through any means permitted by the Code for Civil Proceedings.

INTERACTING WITH THE OWNERS

Perhaps the most challenging part of the renovation process is interacting with the owners. the skills required of the association leadership in relating to owners are the soft skills of negotiation, persuasion, patience and compassion. These skills will be used throughout the renovation process.

General Communication

A good way to ensure a strong relationship between association members and leadership is to maintain on-going and honest communication. Informal meetings should be held at least every other month. Meetings allow people to air grievances, to keep up to date on maintenance items and repairs, to report problems and to be reminded that they are part of a cooperative enterprise. Frequent meetings also allow the leadership to inform owners of all recent activities regarding administration, maintenance and renovation. Most important, meetings insure that the association leadership remains a known quantity - people that the other owners can trust and are accustomed to dealing with on a regular basis. Establishing an on-going relationship between the leader and the owners from the outset is most important to the renovation process. Without it a difficult process can become impossible.

Discussing Renovation and Financing

The association leadership often finds that some owners will want to see renovation projects undertaken while others are not willing to pay for them. Sometimes the owners who demand renovation to the building are the same who protest most vigorously against rising maintenance fees. Balancing different expectations and personalities can become difficult and complicated. It is important that the leadership make use of all opportunities to provide information to the owners.

This flow of information must be two-way; the association leadership needs information about their constituency when preparing a renovation plan. In addition to their personal preferences and objectives, the following demographic information about owners is very helpful:

- Age distributions
- Family distributions (single, young couples, families, pensioners)
- Estimated income levels and whether fixed, increasing or decreasing
- Estimated savings or other resources
- Professional backgrounds and capabilities

It is important to note that this is not the type of information that people readily divulge, even if they know why it is needed. But association leaders generally know enough about their constituents that they can make good estimates. This assessment will help the leadership develop a renovation plan and structure a funding approach around the needs, priorities and capabilities of the owners. It will help answer the following kinds of questions:

- What can the owners afford?
- What are the owners willing to pay for?
- What opportunity for volunteerism (sweat equity) is there?
- What are the owners likely to support?
- What are they likely not to support?

Getting the residents involved in the preparation of a renovation and financing plan strengthens the association and helps build consensus. This helps assure that by the time construction begins, everybody believes and accepts that the work is the right decision.

Tactics

Owners want the best possible living conditions for the lowest possible price. These are often conflicting objectives. People may not be bothered by the idea of undertaking a

renovation project, even if it involves inconvenience, but they do have problems paying for the renovation. As aging buildings show problems necessitating major renovation, the residents are faced with difficult choices. This is where the on-going communication and trust between the leadership and their co-owners becomes extremely important. Association leadership will be tasked with asking residents to spend money and perhaps take on debt for renovation. Romanians are reluctant to borrow and commit to spending because they do not have a great deal of disposable income and they are unsure about the future. It will be necessary to make strong arguments for the necessity of improving the building.

Examples:

The quality of life will be improved. For example, the heating hot water distribution equipment in the technical space is old. Defective valves and obstructed pipes cause uneven flows of hot water to the flats. As a result temperature comfort levels in many flats during cold months are unsatisfactory. Replacing this distribution equipment will ensure satisfactory temperature levels in all flats.

Life safety. The proposed replacement of deteriorated and failing gas piping will eliminate the threat of explosion and fire.

Property values. Renovations and improvements to buildings will raise the value of the buildings and the apartments in them. In the future as apartments are sold more frequently this will become increasingly important to owners.

There will be problems which threaten consensus, and they will have to be dealt with through personal contact, discussion and persuasion.

Example: A resident on the first floor violently opposes paying his share to repair the roof. Everyone on the top floor suffers leaks, but the ground floor resident does not. It is likely that some other problem may distress the ground floor tenant, such as broken sanitary waste pipes in the technical space which cause objectionable odors on the first floor. The association leadership might approach the problem resident and assure future repairs to the pipes in return for support of the roof project. At the same time it can be explained that the upper floor residents will pay their fair share of the plumbing repairs.

IMPLEMENTING THE RENOVATION

Finally the time comes to start a renovation project. All of the planning and preparation are about to give way to execution. Well known elements of this process are the preparation of plans and specifications, selecting a contractor, supervising the construction and, of course, paying for the work. There are several lesser known elements which deserve equal consideration, such as the impact of the project on residents, defining the general conditions, and third-party impact upon the project.

Impact on Residents

The leadership of the association, specifically the individual(s) directly responsible for supervising the renovation process, must consider and plan around how the construction may affect residents while taking place. Some considerations are:

Will any residents be unable to use or occupy their apartments for any period of time?

Will they lose the ability to cook and bathe for any period to time?

Will access to the building or to apartments be restricted or made more difficult?

Will any services be temporarily lost or changed during the construction?

Will the construction generate health hazards, such as dust, allergens, or hazardous materials like asbestos or lead?

Will noise levels increase?

Frequent and regular communication with residents prior to the start of and during the renovation work is absolutely essential. Residents must be kept informed of renovation progress, coming renovation activities and problems throughout the work. There will inevitably be complaints, reasonable and unreasonable, so it is important to be available and sympathetic throughout the work.

General Conditions

Before issuing a request for proposals the association must define the general conditions under which the general contractor will work on the construction site. The architect/engineer who prepares the plans and specifications can be very helpful in this task. The following are examples of general conditions:

Designation of secure on-site storage (if any) for materials and supplies used in the renovation.

Days of the week and hours of the day during which the contractor may work.

Sanitary facilities (if any) for workers.

Sequencing and scheduling of the work

Quality control and supervision

Required licenses and permits

Special conditions imposed by the particular project. For example the project may require that a crane be placed on the roof and secured to the roof. The contractor will be responsible for repairing any damage to the roof caused by the crane placement.

Third Party Impact

The association must anticipate and plan for the involvement of other parties such as lenders and governmental authorities.

If the association is borrowing from a bank to pay for the renovation, it can expect that the bank will impose certain requirements upon the project, such as how and when it will disburse funds from the loan, and what conditions must be met prior to each disbursement. The association and the contractor will be required to coordinate with the lender.

Governmental authorities may also impose requirements upon the project beyond the permitting and approval already discussed. For example the municipality may require that its personnel inspect and approve the work at various progress points before work can continue beyond the point. Again the association and the contractor must coordinate their activities with this third party.

Preparing Drawings and Specifications

A major step in the renovation process is the hiring of an architect or engineer. Unless the association is able to retain architectural/engineering services for free, this professional should be treated as an outside contractor. In this case the association should enter into a contract with the professional defining the services to be provided and the price to be paid. The scope of work should include at the least the preparation of detailed design and construction drawings, specifications for the work to be performed and a list of materials to be used.

When retaining an architect/engineer it is important that the association obtain references from prospective professionals and that these references be checked out. Work designed by the professional for others should be inspected. It is important to be assured that the architect/engineer prepares good designs at a fair price. It is also important that the professional be somebody the association can work with. Because the owners will be paying for the renovation work they have the right participate in the design process.

As mentioned above the architect/engineer's work will be comprised of several discrete parts:

The design/construction drawings as their name implies are technical, dimensioned pictorial representation of the work to be accomplished.

The specifications which appear on the drawings and/or accompany the drawings describe in detail the methods to be used in performing the work.

The materials listing is a detailed list of all of the materials to be used and includes the material type, size and count.

An estimate of the cost to complete the work, including the contractor price for labor, material, overhead and fee, as well as other costs such as building permit fees and design costs.

The architect/engineer will obtain all municipal permits and approvals required prior to commencement of the work and will also inform the association of any required during the work.

Choosing the Contractor - Competitive Bidding

After the plans and specifications for the work are complete, the association is ready to select a contractor to perform the work. The association should *not* identify one contractor and negotiate a contract. Rather, they should solicit bids from different construction contractors. This process is called competitive bidding. At least three bids should be received for any renovation job; it is usually necessary to solicit bids from more than three contractors in order to receive the desired three bids. Contractors should know that others will be bidding, which will encourage them to price competitively. They should not know who is bidding, because they might collude with each other and fix artificially high prices.

Developing a Bidder List

The objective of this task is to identify the contractors who will be invited to submit bids for the work. To be included on the list a contractor must be qualified to perform the type of work called for and should have experience doing so. The contractor should be known for on-time performance and competitive pricing. The contractor should be interested in doing this particular renovation job, something which can be verified by a preliminary conversation.

When undertaking this process the association must understand that the term contractor is a general one and that there are in fact many different kinds of contractors. A lot of contractors practice or perform only a single trade. For example a contractor may only install and repair roofs. Another may work only on elevators. Still another does only electrical work, and yet another only painting, etc. There is another kind of contractor, known as a general contractor, who may practice a number of trades or all trades.

The character of the renovation project will dictate the type of contractor or tradesman to be used. If the renovation project is renewal of the elevator system, only contractors experienced and qualified in this work should be invited to submit bids. If the project requires a number of different trades it is best that general contractors qualified in those trades be invited to bid. In this way the association need deal only with one contractor, rather than several.

The Request for Proposals

The request for proposals, or invitation to bid, is the formal solicitation to contractors. Each contractor should receive an identical package of materials, which include instructions for preparing and submitting the bid and the technical information necessary to prepare the bid. Items which should be contained in the request for proposals include:

- Drawings, specifications and the list of materials to be used (but not the architect/engineer's estimate of cost)
- Minimum qualifications prospective bidders must possess
- Any special licenses or experience required of bidders
- Date, time and place where the contractor's bid is to be submitted
- Times at which the contractors may visit the job site
- General conditions at the job site while the work is underway
- Desired start and completion dates for the work
- Desired form of pricing (e.g. lump sum, or itemized, etc.)
- Desired bid format
- Reference requirements

Appendix E contains a Sample Outline of a Request for Proposals. Appendix H contains an actual Request for Proposals to replace a roof.

Reviewing the Bids and Selecting the Contractor

If contractors have submitted their bids in the format requested by the association, it will be relatively easy to compare the bids. The evaluation process is comprised of the following four basic considerations:

Is the bid responsive? Does the bid meet the criteria presented in the request for materials?

Is the contractor qualified? Does the contractor have the necessary expertise, experience, licenses, etc.?

What is the contractor's price to do the work?

What do the contractor's references say about his work, his work ethic and his character?

Price is only one of the considerations. A common mistake is to automatically choose the contractor who offers the lowest price. Some contractors will purposely bid low on a job just to get the contract. If the contractor as a result encounters financial difficulties and cannot pay his suppliers or sub-contractors, work may be stopped for extended periods of time. Occasionally in such situations the contractor simply abandons the contract, taking whatever payment he has received. In every instance the owners' association is hurt. Beware of the very low price.

It is important to select a contractor who can get the job done when the job is supposed to be done and with good quality workmanship. This is where the contractors' qualifications come into consideration. And by thoroughly checking the contractor's references the association can confirm the contractor's qualifications.

Negotiating the Contract

The first rule of contracts and agreements is: *Use an attorney to prepare the document.* The association and its leadership need not and indeed should not rely upon the attorney to negotiate the business aspects of the transaction, although the attorney by virtue of experience may have many helpful hints. The important role of the attorney is to craft the language of the contract to give the association the maximum legal protection in the event the contractor fails to fulfill the terms of the contract.

The contract should address at the very least the following matters:

Scope of Work. The contract should clearly define the work to be done. The plans and specifications and the material lists should be incorporated into the contract.

Construction Schedule. Part of having renovation work done is having it done on time. It is very important to define the schedule by which the work should progress. This time line will assist the association to monitor and control the progress of the renovation. The architect/engineer can help to define and negotiate the construction schedule.

Contractor Price. The contract must specify the price to be paid to the contractor, as finally negotiated.

Payment Schedule. It is very important that there be a payment schedule. Payment should be linked to the progress of the work. As will be discussed in the next section, the contractor should never be paid more than he has earned. This is not an easily achieved objective. For example most contractors will demand an initial payment sufficient to fully cover the cost to purchase the materials. This will be the first test of who is in control.

Retainage. It is recommended that the association at all times hold back a percentage of the value of the work in place. This percentage can vary and is generally between 5 and 10 percent. It works as follows: If the project were 60 percent complete, the payment schedule might provide that the contractor be paid 60 percent of the total contract value. A retainage provision would provide that the contractor be paid an amount equal to the scheduled payment less the retainage percentage. If the retainage percentage were 10 percent, upon completion of the work the contractor would receive payment equal to 90 percent of the contract value. What happens to the 10 percent retainage? The association holds that money for several weeks (duration to be negotiated) to ensure that the work is satisfactory and to ensure that the contractor returns to complete unfinished work. Upon satisfactory completion of the work, the contractor receives the money.

Warranties. It is customary to require the contractor to guarantee his workmanship and the materials used in the work for some period of time after the work is complete. The scope and duration of the warranty are determined by negotiation and custom in the trade. The purpose of the warranty is to give the association some protection after full payment has been made.

Example: An association desires to caulk the exterior joints between the prefabricated concrete panels of their building. They have received three bids. One bid offered no warranty. A second offered to guarantee the work against defect or leakage for a period of two years after completion. The third bidder offered an identical guarantee, but for a period of three years.

Termination of the Contract. The contract should contain a termination clause, allowing either party to terminate the contract in the event of noncompliance or breach by the other. The clause should define how the relationship of the parties will be finalized. It may provide for penalties or other remedies.

Example: An association contracts for a new roof. The contract obligates the contractor to complete the work by a specific date. If the contractor fails to complete on time, the contract allows the association to terminate the contract unless the contractor pays a penalty fee to the association.

General Conditions. The general conditions (discussed earlier) under which the construction contractor will work should be described in the contract.

Signatures. There is no contract unless the document is signed by both parties - that is, by an authorized signatory for the association and an authorized signatory for the contractor. The law may require that the signatures be attested by independent witnesses or officers of the court.

A sample construction contract appears in Appendix F.

Construction Supervision

It is good to have as many checks and balances as possible throughout the construction process. Although the construction contract regulates the process of the renovation work, many external factors will also affect the process, such as weather, an overcommitted contractor, hidden conditions in the building, etc. The association must be prepared to closely monitor progress and conditions and interact with the construction contractor. Some associations appoint one or more representatives from the owners to perform this function - that is, to act as site supervisors. Many architects and engineers offer construction supervision services, and an association may choose to retain them to function on their behalf. Regardless, the responsibility of the site supervisor is the same, and somebody must be designated to fulfill it.

The site supervisor must visit the site and supervise the work. He should maintain a construction diary in which are recorded all observations and findings. Materials must be checked to ensure conformance with the specifications. He must monitor conformance to technical regulations and construction deadlines. He will approve payments to the contractor pursuant to the contract, based upon his inspections and records.

As the renovation work progresses, differences between the contractor and the site supervisor will occur. It is the task of the site supervisor to work with the contractor to resolve these differences and ensure that the work progresses as smoothly as possible.

Example: The contractor requests permission to substitute some materials for those specified. His reason is that the specified materials are unavailable and to wait for them to arrive would substantially delay completion of the work. He proposes to substitute with materials of substantially equal quality to those specified. The site supervisor must decide if the inconvenience to residents which would be caused by the delay warrants the substitution.

Final Acceptance

When the contractor pronounces his work complete, the association must satisfy itself that the work is indeed complete. A thorough inspection of the work should be made by the architect/engineer who designed the renovation and the site supervisor. Based upon their inspection and the records of the site supervisor, a list of incomplete items should be prepared. This list of incomplete or unacceptable items should be reviewed with the contractor and if necessary negotiated with the contractor until there is agreement by the parties on the content of the list and the remedial action which will be taken by the contractor. If the contract provides for retainage, and if in the judgment of the site supervisor the retainage will be sufficient to ensure completion of the incomplete items, it is common to pay the contractor the balance of the money due him at completion, less the retainage. Payment of the retainage can be tied to satisfactory completion of the incomplete items.

Problem Solving

Problems inevitably occur on renovation jobs. Many can be resolved by utilizing a site supervisor and maintaining a close watch on the work progress and good communication with the contractor. Many can be avoided altogether by having good architectural/engineering design and a good contractor. But problems will arise which are beyond the control of and could not have been anticipated by the owners, their leadership, the architect engineer, or the contractor. There are several tools available to owners associations to resolve these problems.

Contingency

Earlier it was recommended that the renovation budget include a contingency. A contingency is an allowance for unexpected costs caused by unpredictable occurrences that change the scope of the renovation project.

Example: An association is replacing domestic cold water distribution piping. When opening the walls to replace the pipes in one riser, damage to the building structure was discovered in that location. A contingency had been

budgeted and it was used to cover this additional work not outlined in the original contract for pipe repairs.

A contingency fund is a good way to cover additional expenses which arise from specification changes or contract changes which result from unexpected occurrences.

Arbitration

Occasionally parties to a contract fail to agree and cannot reach accord. Arbitration is an excellent tool for dispute resolution, and many contracts require arbitration to resolve impasses. In arbitration the disputing parties mutually select a third party to whom each will present his arguments, and the disputing parties agree to be bound by the arbitrator's decision.

Example: Unexpected bad weather caused great delay in completion of a renovation contract. The contractor asserted that under the contract he was entitled to charge a higher price, because he had been forced to mobilize his workers for that project for a longer period of time. The association contended that the contract was a fixed price contract with no provision for increase. The contract required arbitration of disputes in the following manner: Each party was to designate an arbitrator and the two arbitrators were to mutually designate a third. The disputing parties were to be bound by a majority decision of the three arbitrators.

Litigation

If disputing parties cannot reach accord, and if there is no mechanism to facilitate resolution of the dispute, litigation may be necessary. Litigation is very time consuming and it can be very expensive. If filing a lawsuit is the only recourse, then the importance of a well written contract and detailed documentation will be very evident. Unfortunately prevailing in litigation does not guarantee satisfaction.

Example: In late summer an owner's association entered into a contract for a new roof. The project was not competitively bid. The contract was very weak, written by hand on half of one side of a sheet of paper. The association paid 50 percent of the contract price at the contract signing. Autumn rains began early and the contractor was unable to work. Winter followed. In the following Spring he never came, repeatedly offering excuses. Nearly a year after signing the contract the association sued the contractor for return of the money and termination of the contract. Although the contract document was poor, the attorney for the association is confident they will receive a favorable sentence. What if the contractor is broke and cannot

pay?

If the association has diligently pursued their renovation project and followed the guidance presented in this manual, there is little likelihood they will find themselves in litigation. If they do have to litigate, it will work for them without the uncertainty described in the example above.

Appendix I contains a Case Study Building a Sloped Roof. This case study presents the actual experience of an owners' association that planned, constructed and paid for a sloped roof on their building.

APPENDIX A

BUILDING CONDITION SURVEY FORM

BUILDING CONDITION SURVEY FORM

Condominium: _____

Address: _____

| BASEMENT | CONDITION | REMARKS |
|------------------------|-----------|---------|
| Corridors | | |
| Exits | | |
| Trash room | | |
| Meters | | |
| Storerooms | | |
| Windows | | |
| Floor | | |
| Walls | | |
| Ceiling | | |
| Electrical System | | |
| Hot Water Dist. Syst. | | |
| Cold Water Dist. Syst. | | |
| Gas Dist. Syst. | | |
| Thermal Water Dist. | | |
| Sanitary System | | |
| | | |
| | | |
| | | |
| | | |
| | | |

Inspected By: _____

Date: _____

| BUILDING EXTERIOR | CONDITION | REMARKS |
|------------------------|-----------|---------|
| Roof | | |
| - Membrane | | |
| - Skylights | | |
| - Gutters & Downspouts | | |
| - Parapet Walls | | |
| - Vents/Chimneys | | |
| Building Envelope | | |
| - Masonry Facade | | |
| - Thermal Insulation | | |
| - Windows | | |
| - Doors | | |
| - Fire Escapes | | |
| - Courtyards | | |
| Yard Areas | | |
| - Sidewalks | | |
| - Gates/Fences | | |
| - Lighting | | |
| - Area Drains | | |
| - Retaining Walls | | |
| - Utility Accesses | | |
| Building Structure | | |
| - Walls (Structure) | | |
| - Stairwells | | |
| - Floor Systems | | |
| | | |
| | | |

Inspected By: _____

Date: _____

| HEATING SYSTEM | CONDITION | REMARKS |
|----------------|-----------|---------|
| Controls | | |
| Burner/Boiler | | |
| Water Heater | | |
| Piping | | |
| Water Supply | | |
| Ventilation | | |
| Fire Rating | | |
| Insulation | | |
| | | |
| | | |
| | | |

Inspected By: _____

Date: _____

| ELEVATOR | | REMARKS |
|------------------------|--|---------|
| Doors | | |
| Leveling | | |
| Cab Control Panel | | |
| Lighting | | |
| Floor | | |
| Walls/Ceiling | | |
| Inspection Certificate | | |
| | | |
| | | |
| | | |

Inspected By: _____

Date: _____

| LOBBIES/HALLS | CONDITION | REMARKS |
|-----------------------|-----------|---------|
| Ceilings | | |
| Walls | | |
| Floors | | |
| Doors | | |
| Lighting | | |
| Ventilation | | |
| Mailboxes | | |
| Building Entry System | | |
| | | |
| | | |

Inspected By: _____

Date: _____

| INDIVIDUAL APTS. | CONDITION | REMARKS |
|-------------------------|-----------|---------|
| Doors | | |
| Windows | | |
| Floors | | |
| Walls | | |
| Ceiling | | |
| Kitchen | | |
| Bathroom | | |
| Heating Installation | | |
| Water Installations | | |
| Sanitary Installation | | |
| Gas Installation | | |
| Electrical Installation | | |
| | | |
| | | |

Inspected By:

Date:_____

APPENDIX B**CONSULTANT S REPORT
BUILDING CONDITION SURVEY**

BLOCK___ - CALEA _____, BRASOV

TECHNICAL RECORD

MAIN PHYSICAL PARAMETERS OF THE BUILDING

The building was built according to the documentation elaborated by PROIECT Brasov project 18,328/82 adapting the project type 770/81-ICPT, the sections P201 and P203, Residential building ground floor + 4 of large panels variante basement with cellar boxes .

Main Physical parameters of the building are:

Built area displayed: 2,664 square meters

Useful area: 1,807.6 square meters

Level of height: ground floor + 4

Number of units: 34 out of which:

- 2 room units/43 square meters - 12
- 2 room units/46.5 square meters - 1
- 3 room units/55 square meters - 14
- 3 room units/61.1 square meters - 1
- 4 room units/69 square meters - 6

SOLUTIONS FOR ENSURING THE UTILITIES

The utilities for the building have been granted in conformity with the documentation elaborated by PROIECT Brasov for fluid utilities (project 18,367/82), IRE - Brasov for electric energy supply and Dtc Brasov for telephone.

The main technical parameters of the couplings:

Electric energy: $P_i = 204 \text{ Kw}$; $P_c = 49 \text{ Kw}$. Each staircase has a branching niche (FBE) coupled in loop to the low tension voltage distribution network of the district through buried cables, in a three-phase system. To each FBE are connected the boards of the common spaces and the units boards - equipped with measurement groups (mono-phase electric meters) through mono-phase columns, made of aluminum AFY (for work) and of copper FY (for protection), protected in plastic tubes, installed in a buried way.

Telephone. At each staircase there is a telephone beam connected to the urban

telephone network, through an aerial cable installed on the main facade of the building (in the project a buried cable had been provided for) - and from the FBT there is a telephone circuit from the telephone pipes TY protected in IPY tubes, buried - for each unit.

The installation for the reception of TV signals. The building is equipped with an installation of collective antenna for the reception of the signals of the relays of retransmission of the TV national or local signals, having an amplifying - distribution group for each staircase, to which is coupled through cable circuits protected in IPY tube installed in a buried way the TV antenna plugs of the living room of each unit.

Recently the building has been connected also to the cable TV distribution network. The elements for sustaining the transmission cable are installed on the terrace of the building, then the cable enters visibly in the staircases and through distributors on each floor the units are connected to it.

Methane gas: $bi = 20.4 \text{ Nm}^3/\text{h}$. $Q_c = 10.03 \text{ Nm}^3/\text{h}$. The building is connected to the methane gas network Dn 50 mm from str. Ovidiu through an underground branching of pipe OL-GAS-1 , regulating - measuring post composed of a regulator of $10 \text{ m}^3/\text{h}$ and a volumetric meter of 20 m^3 placed in a protection box installed at the end of the building towards str. Brinduselor. From the meter, the utilization pipe of $1 \frac{1}{2}$ goes visibly at the level of the floor over the ground floor, with entrances of $\frac{1}{2}$ at each kitchen column (diminishing in a telescopic way the diameter).

Heating: $Q = 173,000 \text{ kcal/h}$. The thermic coupling from the PT of the group of buildings passes first under the Block 14, then getting out of it the insulated coupling pipes are installed in a concrete thermic canal and enter in the basement of the building through the backwards corner of the end of the block towards the Block 14. Afterwards, the main coupling is placed nearby the external walls, at the level of the basement floor and to it is coupled the distribution of each staircase with couplings of $2 \times \text{Dn } 57 \times 3$.

Hot water. The hot water coupling of WC 50-G follows the line of the thermic coupling till the entrance in the building, then it passes installed under the ceiling on the longitudinal axis of the building having also the role of distributor, undertaking each column.

Cold water. The cold water coupling of PVC - 50 - 6, from the street network of str. Ovidiu of Dn 200, (on which is accomplished the coupling hearth with water meter) enters the building (in the basement) in its axis and in the basement it passes in parallel with the hot water, having also the role of distributor coupling.

Sewerage. The sewerage columns - separately the household and rain water drains gather in the basement through collectors, for each part of the building, then exiting the building towards the sewerage installations of the networks behind the building - the

couplings being achieved with F- 100 (household used water) and PVC - U - 110 (rain water).

BRIEF DESCRIPTION OF THE BUILDING

Constructive System

The building is set on foundations and elevations (foundation walls) of reinforced concrete, that raise above the ground level with aeration windows for the cellar boxes of the basement.

The exterior envelop of the building is accomplished with large prefabricated panels, as are the internal walls, except for the walls which separate the kitchens, closets and baths, which are of wood or block.

The roof, terrace type, is thermoinsulated with BCA (cellular concrete) and basaltic scoria and the hydroinsulation is achieved with tar paper and bitumen.

The Joinery and the Balconies

Except for the metallic entrance doors, the common spaces and the units are provided with exterior and interior joinery made of fir tree wood or of substitute materials (cellular doors - with PFL cover).

Each unit - except for the ground floor ones - has one or two balconies.

Part of these are closed with metallic and glass frames (a type of metallic workshop joinery), and presently the closing of all balconies and the creation of balconies for the ground floor units are in the course of being solved.

Electric Installation

Generally, these are made of conductors of aluminum AFY type, protected by plastic tubes IPY type, incorporated in boards, in concrete masonry and in the floors. The replacement of the tubes is practically impossible, but the conductors can be replaced as there are cartridges for connection and drives for changes of direction and ramifications.

Telephone and TV Antenna Installations

They are described in the utilities chapter.

Methane Gas Installations

The kitchens, crossed by the utilization distribution column for methane gas are achieved on the basis of the conditions imposed by the norms regarding the rooms in which are installed methane gas receivers with direct flame: they have an adequate glass surface to the volume of the room and a vertical ventilation space.

Central Heating Installations

The heating of the spaces is ensured by static corps - radiators made of crude iron or convectorradiators (in the annexes), connected to vertical columns of OL tubes. All the regulating devices - the valves - are installed in the basement, on the distribution or at the basis of the columns. Each part of the building as it has its own distribution it has also its own system of ventilation at the top floor.

Sanitary Installations

The distribution columns for cold and hot water, the sewerage columns for household used water and rain water are made of plastic tubes PVC-+C type or V type (rain water).

The couplings to the sanitary objects are also made of plastic. The general regulating devices - some of them - are installed in the basement and those on couplings are in the vertical spaces from the bathrooms.

STATE OF THE BUILDING

The Basement

The basement of the three staircases is clean, arranged, organized. the corridors are free and clean, granting a normal traffic of the owners towards the cellar boxes that belong to them and towards the regulating devices of the different installations. Each staircase has its own basement, with only one access door from the staircase. the stairs heading to the basement are in a good practicable state.

The basement is illuminated in an acceptable way, with a unique switch at the entrance, which is functioning. For the rest, every cellar box has its own switch. The entrance door to the basement as well as the entrance doors to the boxes are in good state and ensure an acceptable security of the basement. The aeration windows of the cellar boxes are also in good state, they do not have broken glass. In the basement there is no water infiltration. The ceilings and the walls are in good state, well maintained.

The basement being organized by staircase, its maintenance and improvement regard exclusively to the owners from the respective staircase and not the whole condominium.

Nevertheless the leadership of the owners association may recommend to the owners from the respective staircase to take care of the common basement which belongs to them only.

Installations Distribution in the Basement

Heating distribution. Each part of the building - staircase has its own heating distribution with two main branches of distribution each being provided for with main vans on round and return pipes. In a similar way the couplings to the main network of distribution in the basement (of each staircase) have valves.

These six main valves are not in good functioning state in all the three staircases and their revision or replacement must be done. It is also necessary the revision or the replacement of the faucets from the desaeration pipes (brought to the pipe in the basement) and the emptying (round and return) of the two main parts.

On the main coupling that enters the building there is no thermic energy meter - neither did the project provide for it, but there are possibilities to insert on the straight part of the pipe at the entrance the whole measurement group: valves, flow-meter, thermometers. The switch can be supplied with electric power from the electric board of the respective staircase (board for the common spaces).

Cold and hot water distribution. Both distributing couplings have their main valves at the entrance in the building (basement, staircase C), where on the coupling of hot water there are possibilities for installing of a measuring group, made in a similar way to the thermic coupling.

On the other side, in order to grant increased resistance and functional safety to the water distribution couplings, we may take into account the replacement of the present plastic tubes OL-Zn. For an easy maintenance of the installation the revision of the regulating valves installed at the base of each cold and hot water riser and the assurance of an easy access to them (some of the groups of valves are in the cellar boxes) must be done previously.

Sewerage collectors. The present collectors of plastic and crude iron tubes are in good functioning state, have the slopes required by technical norms and allow an adequate exploitation of the installations.

Stairs Halls - Interior Common Spaces

The entrance halls, the stairs halls and the laundry rooms (the only interior common spaces) are maintained in a different way at the three staircases.

Although they belong only to the owners from the respective staircase, the association is obliged to act in order that they may be brought to an adequate level of hygiene. The installations from the common spaces are in good functioning state. In order to avoid the deterioration of the radiators from freezing, the main entrance doors to the halls must be equipped with closure systems with spring and eventually with closing system with electromagnet and with interphone.

In order to reduce the heat losses the revision, the separation and the thermoinsulation with sponge fittings (PURFIX type) or rubber fittings, of the windows from the common spaces must be done as well as the execution of adequate painting and puttying works.

Individual Units

On the occasion of the technical verifications we visited only some of the units. Their technical state and their level of maintenance are different.

Anyhow, the exterior joinery being made of fir tree wood all the windows and the balcony doors must be revised and the achievement of the thermoinsulation should be done as in the case of the joinery of the common spaces. This measure will show its efficiency once the heat meter will be installed.

As the losses through the joinery, through infiltration are smaller there is the possibility of manual regulations at the main valves from the building entrance of the heat coupling, reducing the consumption to the real necessities for ensuring an internal microclimate in conformity with the owners wishes - reducing consequently the costs.

If the owners association adopts such a measure for insulating the units, this must be executed compulsory as soon as possible in a number of units of each staircase, where the interior temperatures will be measured according to which the thermic agent in the building will be regulated through the valves.

Interior Installations

Heating installations. Generally the interior heating installations are in good functioning state. As there are no possibilities for measuring the consumption by unit (the distribution is achieved through vertical columns) the equipment of the radiators with

thermostat valves is less efficient.

As the consumption is common, the regulation must be done globally for the whole condominium.

Sanitary installations. The sanitary columns being made of plastic, for a greater safety in exploitation it is necessary to replace the cold and hot water columns with tubes made of zinc coated steel. At the same time this replacement is done, the valves from the couplings to the sanitary objects placed in the bathrooms of the units are revised.

Their revision and replacement must be done even previously, ensuring an easy access to them in order to allow an adequate exploitation of the sanitary objects of the units.

For the same purpose of reducing the common costs, the representatives of the owners association must check on the state of the faucets of the sanitary objects of the units in order to eliminate the water losses. The columns and the couplings of the sewerage system are adequate to the necessities, being necessary only a revision and a verification of the visiting lids.

Methane gas installations. They are in good functioning state, but in order to eliminate any possible danger of accident, it is necessary to verify them paying special attention to:

The couplings of the receivers being well known that the technical rules do not allow any improvised device.

The ventilation rooms - the access to them must be free of obstacles.

At the same time the owners must understand that the balconies of the kitchens cannot be closed - so when closing the balconies the provisions of the project elaborated on this purpose must be strictly obeyed.

Electric and of low power installations. The electric, telephone and TV antenna installations of the whole building are in good functioning state, ensure an acceptable level of comfort, their revision is not necessary.

Terrace. The hydroinsulation of the terrace is in good state. Anyhow, taking into account the fact that on it there have been installed support elements for the retransmission TV signals cable, it is necessary a careful revision of the place in order to prevent eventual water infiltration. At the same time it is necessary to verify the rain water draining gutters in order to make sure they are free of leaves.

PROPOSED MEASURES FOR IMPROVING THE COMFORT

The top priority should be the improvement of the thermoinsulation of the building to improve the comfort of the residents and to reduce the cost of heating. The association should take the following steps, which are listed in descending order of priority.

The owners must be obliged to revise and thermoinsulate the exterior joinery especially after the installation of the meters in order to ensure the thermic microclimate with consumption and costs as low as possible.

The revision of the joinery of the stair halls (including the entrance door); the installation of closure systems with spring at the entrance doors; the execution of paintings (where it is necessary). The complete set of operations (including the thermoinsulation of the windows) is estimated at _____ thousands of lei/staircase.

The revision and in part the replacement of all the main valves of the heat distribution. the cost of this operation varies between ____ and ____ thousands lei/staircase.

The closure of the balconies according to the documentation in course of elaboration (approx. _____ thousands lei/balcony).

While making the above improvements the association should intervene at the Thermo Regie in order to obtain the installation with priority on this building of the heat and hot water meters. As the building is at the end of the network the installation of a unique pair of measuring groups is possible. These works, the meters included, are estimated at _____ lei, but the installation of the meters is an obligation of the supplier and not the consumer. The installation will ensure accurate recording of consumption.

Second priority should be given to the replacement of the plastic hot and cold domestic water distribution systems to improve safety, comfort and cost.

The replacement of the cold and hot water distribution with OL-Zn tubes.
 $100 \text{ m} \times \text{_____ thousands lei/m} = \text{_____ thousands lei}$

The replacement of the cold and hot water columns with OL-Zn tubes.
 $5 \times 11 \times 2 \times \text{_____ thousands lei/m} = \text{_____ thousands lei/staircase}$

The revision and/or the replacement of the faucets and valves on the distribution and at the cold and hot water couplings. approx. _____ thousands lei.

EXPERT

Eng. _____

APPENDIX C

CONSULTANT S REPORT SPECIFIC PROJECT SURVEY

APPENDIX D

LOAN APPLICATIONS

THE LOAN APPLICATION PROCESS

If the association decides to fund a renovation project totally or in part by borrowing from a bank, that association must be prepared to provide a great deal of information to prospective lenders. One of the most important things to understand about banks is that they want secure investments. They will be very interested in the feasibility of the renovation plan; they will be interested in whether the association can carry out the plan; and they will be interested in the association's ability to repay the loan.

PREPARING THE LOAN PROPOSAL

When preparing the application always remember the primary concerns of the lender. The lender will make the decision to lend or not based upon the information provided. The association must be responsive to lender requests, and the information provided should be specific. Basic types of information which must be provided to lenders includes the following:

The history and function of the owners' association. A description of the association should be included. It should contain the date when the association was established, how many apartments it contains, how many of these flats are privatized and how many are still owned by the municipality. If any apartments are encumbered by liens (mortgage or other) this should be noted also. Copies of the association legal documents must be available. The minutes of the general assembly meeting during which it was decided to proceed with the renovation should be attached. These minutes should authorize the executive committee to take out a loan. The minutes should also include a decision signifying that the association has approved the renovation plan and should designate the person or persons who are responsible for selecting the architect/engineer, the contractor, and the site supervisor.

The description of the property. The application should include information about the property, such as its location, the date it was built, the type of construction, the number of floors, the configuration of the units and a description of the mechanical, electrical and plumbing systems. If a building condition survey exists it should be included, as should the specific project survey. Information about prior repairs and renovations also should be attached.

The renovation plan. A copy of the renovation plan should be attached. If plans, specifications and materials listing are complete, they should be included. If a contract exists with a construction contractor, it should be included. The budget in the renovation plan should reflect the most recent estimates of costs.

The architect/engineer, the contractor, and the site supervisor. The lender

will want assurance that the professionals undertaking and supervising the job are highly qualified, have good reputations and have proper references. They will want detailed information about these people.

Association finances. The lender will be very much interested in the long-term ability of the association to repay its debt. Financial records of the association for the past two or three years should be included. A copy of the current budget should be attached. Most important is a realistic projection of income and expenses for the future. This projection should cover a period of five years. It should reflect expected inflation rates. It should show the expected effects of the renovation project on operating expenses. It should also show the effect of loan repayment on income and expense.

By analyzing these long-term budgets, the lender will make its own determination of how realistic the association is in assessing its own situation and whether it can be expected to repay the loan.

In the loan application the association should emphasize the positive aspects of the project and the strengths of the association. At the same time be realistic and refrain from exaggerations and overstatements.

WORKING WITH THE BANK

Approaching the Bank

First a determination must be made about which banks to approach. Less time will be wasted if the banks approached are those known to make loans for housing or renovation. A bank known to consider loans to associations is highly preferable. A few phone calls to banks themselves, to attorneys, or to other associations known to have borrowed will help with this determination. If an owner in the association is employed by a bank or has a relationship with a bank, the association might contact that bank.

The Loan Officer

The loan officer at the bank should be considered as an ally and not as an enemy. Loan officers are important sources of information. They are trained to analyze the strong and weak points of loan applications. Their assessment will help the association formulate a good application - one which will assure the management of the bank that the renovation project is worth financing.

Negotiating the Loan

Lenders are more willing to provide favorable loan terms if they perceive the risks of the loan to be lower. The bank may dictate the terms of a loan to the association. It is important to remember that these terms result from the lenders perception of risk, and there is not reason the association cannot try to negotiate more favorable terms. The loan is a legal contract by which one party agrees to lend money to the second party, and the latter party agrees to repay it.

APPENDIX E

SAMPLE REQUEST FOR PROPOSAL

SAMPLE OUTLINE OF A REQUEST FOR PROPOSALS

- I. Introduction:** The introduction states the purpose of the Request for Proposals, along with the following details:

- Due date
- Procedures for inspecting the property prior to bid submission
- Format for submission (number of copies, where bids to be submitted, etc.)

- II. Scope of Work:** This section contains a detailed description of the renovation work the contractor is expected to perform and includes:

- Description of renovation project
- Complete set of drawings, specifications and list of materials
- Desired start and completion date for the work

- III. Description of the Property:** This section should include a brief description of the property which will be renovated:

- Location of building
- Building type and date of construction
- Number of residential and commercial units
- Special conditions

- IV. Selection Process:** Description of the method for selecting the construction firm:

- Criteria for evaluation and their relative importance
- Legal requirements to be met by the bidder (insurance, licenses, certifications)
- Minimum qualifications of the bidder
- Requirements for references
- Desired form of pricing

- V. General Conditions:** This section defines the general conditions under which the contractor is expected to work on the site, and includes:

- Designation of secure on-site storage (if any)
- Days of the week and hours of the day during which the contractor may work
- Sanitary facilities (if any) for workers
- Sequencing and scheduling of work
- Quality control and supervision
- Special conditions

- VI. Technical Proposal:** This section outlines what should be included in the construction company's bid. It states what construction capabilities the bidder must

possess and asks the bidder to demonstrate his skills in these areas. It asks for the contractor to state his price to do the work as described and the terms of payment desired. The bid structure might include the following:

Experience and qualifications. A description of the bidder - time in business, size, types of work done, specialization s, etc. Should include listing of similar projects completed.

Accomplishment of the Project. How the contractor intends to approach the organization, scheduling and management of the renovation project.

Staffing. How the contractor plans to staff this renovation project, including labor and supervision.

References. The bidder must provide relevant references, preferably owners for whom the bidder has performed renovation work

Cost Proposal. The bidder must indicate his price to do the work and the terms of payment.

VII. Other Clauses

Penalties

Conflict Resolution

Emergency Situations Pursuant to Romanian Law

APPENDIX F

MODEL CONSTRUCTION CONTRACT

MODEL CONSTRUCTION CONTRACT

THIS CONTRACT IS MADE _____ (date) between _____
_____(Contractor), with its principal place of business at _____
(address), hereinafter Contractor , and the Owners Association of the Condominium
located at _____(address), hereinafter Beneficiary .

SECTION I - APPOINTMENT OF THE CONTRACTOR

(a) Beneficiary and Contractor agree that Contractor will perform work as described in Section II, on terms and conditions described in this Contract.

(b) Contractor understands that Beneficiary is responsible for the operation and management of the common property of the condominium and agrees to confer regularly with _____, the designated liaison of Beneficiary in the performance of the work.

SECTION II - DESCRIPTION OF WORK

Contractor will perform the following work under this Contract:

(Describe work to be performed under the Contract in sufficient detail to ensure that the Contractor understands exactly what is to be done in accordance with the execution details presented in the design.)

SECTION III - CONTRACT AMOUNT AND PAYMENT SCHEDULE

Beneficiary shall pay Contractor the sum of _____ for the performance of the work. Payments will be made according to the following schedule, subject to acceptance of the work by Beneficiary:

| % of Work Done | Completion Date | Amount Due |
|----------------|-----------------|------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

SECTION IV - TIME FOR PERFORMANCE

(a) Work under this Contract shall begin on _____ and shall be complete by _____.

(Add interim stages if appropriate.)

(b) If completion is delayed for reasons beyond Contractor's control, Contractor shall provide written notice to Owners' Association explaining the reasons for the delay. If Contractor fails to give notice of reasons for the delay or the delay is not with good cause, Contractor will be subject to penalty.

SECTION V - WARRANTY

Contractor agrees to provide a one-year warranty for the work. The warranty provides that the work is of good quality and free from defects in materials and workmanship. Any defect which is noted during the warranty period must be repaired by Contractor at his own cost.

SECTION VI - OTHER CLAUSES

(a) Contractor agrees to remove all construction debris and surplus material from the property upon completion of the work and to leave the property in a neat and clean condition.

(b) For not respecting the terms of this Contract Contractor must pay a penalty equal to _____% of the total contract value for each day of delay caused thereby. The same penalty shall be paid by Beneficiary for nonpayment of moneys due Contractor.

(c) Beneficiary and Contractor agree that no changes in the description of the work or the contract sum may be made unless agreed to in writing by both parties.

(d) Conflicts that cannot be resolved between the parties will be submitted to the courts pursuant to procedures formulated by Romanian legislation.

(e) This contract was signed in four (4) parts, two (2) for each party.

BENEFICIARY**CONTRACTOR**

By: _____
Title

By: _____
Title (if firm)

NOTE: This model contract represents a minimum standard. Each association can introduce additional clauses as it sees fit.

APPENDIX G
SAMPLE LIEN DOCUMENTATION

SAMPLE ACTION FOR FORCING THE DEBTOR TO PAYMENT

To the Law Court_____

Mr. President,

The Owners Association_____, located in_____,
str_____, nr._____, represented by_____, presents you
the following:

ACTION

To request the nominated_____, from_____,
str_____, nr_____, to pay the amount of _____ROL,
representing the pro rata share of costs incurred by the Owners Association to achieve
renovations to the building.

In fact the nominated_____, owner of apartment nr._____,
in the Owners Association, owes to the association the amount of_____
representing the nominated s share of the cost to renovate_____.

Although the nominated was summoned to pay with the summons nr_____,
form_____ he has not respected the obligation to pay the owed amount, therefor
requiring us to commence the forced execution against him.

Related to the herein, we ask to admit the action, as it was formulated, and order the
forcing of the defendant to pay the owed amount, and to commence forced execution
against him.

We request trial expenses.

We enclose the receipt of payment of the stamp tax in value of _____lei and a
juridical stamp in value of_____.

We put the present action in 2 copies, out of which one for the instance and one to
be presented to the defendant.

Date_____

Signature_____ -

To the President of Law Court_____

SAMPLE EXECUTING THE LAW COURT DECISION

To the Law Court_____

Mr. President,

The Owners Association _____, located in_____,
str._____, nr._____, represented by _____, presents you the following:

REQUEST OF EXECUTION

Purpose for which we present the civil verdict nr._____ from_____ pronounced in the file nr._____, invested with executive formula from which results that the debtor _____, residing in _____, str_____, nr_____, ap_____ is forced to pay the amount of_____ owed for renovation expenses.

Because the debtor refuses to pay of his own free will, we ask you to start forced execution against him.

Our action is based on the dispositions of the Civil Procedure Code. (art 372,373)

Date_____

Signature_____

To the President of Law Court_____

APPENDIX H

SAMPLE REQUEST FOR PROPOSALS TO REPLACE A ROOF

REQUEST FOR PROPOSALS

Roof Removal & Replacement

Speranta Owners Association
Block 21 Calea Bucuresti
Oradea, Romania

INTRODUCTION

Speranta Owners Association will receive bids for the removal of the existing roof and the installation of a new roof based on the following specifications. The general scope of work will consist of: developing a performance-based, design-build strategy for developing *all required* engineering specifications for the work noted above and which is further defined in this invitation to bid. Bids shall be submitted on the BID FORM provided with these bidding documents along with your equipment information, cut sheets, etc., to:

Speranta Owners Association
Block 21 Calea Bucuresti
Oradea, Romania

Bids are due by 2:00 p.m. on **Friday March 14, 1997**. Faxed bids are acceptable provided a hard copy follows no later than 2:00 p.m. on March 17th. Questions regarding this invitation to bid should be addressed to Nicolae Preda at 848-4314. Any site visits prior to the bid due date, must be scheduled through Mr. Preda.

SCOPE OF WORK

The Work of this Contract involves the removal of existing roofing and related materials and the installation of a new modified bitumen roof. Contractor shall remove all required components of the existing roofing system. Same shall be removed from the site and disposed of at Contractor's expense.

The Contractor shall be responsible for providing all engineering calculations including load calculations, materials installation design, rigging, environmental oversight and project administration of its forces, subcontractors and material suppliers.

The project you are being asked to bid will be designed by the successful bidder. **The Contractor shall be responsible for all aspects of the material selection and roof system design.** General performance guidelines will be stated further in this document, it will be the Contractor's responsibility to provide designs and construction services to meet these performance guidelines.

In order to permit access to the roof for the removal of the existing roof and installation of the new roof, if required, Contractor shall employ the use of a crane. Contractor shall be responsible for any and all public space permits, bonds, etc., for the erection of a crane in the municipality of Oradea.

During the execution of the work Contractor will take care to protect the finished work and to prevent damage to the apartments below.

Roofing materials and installation of same shall be in accordance with all State and Municipal codes and regulations.

It is the association's desire to have the project completed no later than September 1, 1997.

DESCRIPTION OF THE PROPERTY

The building was built according to the documentation elaborated by PROIECT Oradea project 17,259/83 adapting the project type 860/82-ICPT, the sections P202 and P204, Residential building, ground floor plus 4 stories, large panels .

Total built area is 2,664 square meters, and useful area is 1,807.6 square meters.

There are 34 flats.

SELECTION PROCESS

It is the association's intent to award a Notice To Proceed for the work described hereafter no later than four (4) weeks after the bid receipt dated as aforementioned. The time in which the Contractor agrees to complete all aspects of the work is of the essence of the contract. It is the Owner's desire to have the project completed no later than September 1, 1997. The time of completion shall be a factor in the award of the contract.

All bids shall be either personally delivered or mailed (preliminary faxes are acceptable as stated above), by 2:00 p.m. on March 14, 1997, to the owners' association.

Bids should be clearly labeled with the Contractor's name and the Project Name. The enclosed bid form shall be filled in completely. Signatures must be in longhand, executed by a principal duly authorized to sign for the firm; bidder's legal name must be fully stated.

Bidders must visit the site and be familiar with the site and existing conditions inclusive of all utilities, structures, piping, wiring, obstructions, and any other tangible item which may affect the bid or project outcome. All conditions in place at the time bid is placed are considered existing; no unforeseen conditions exist, contractor will be held responsible for all conditions as it applies to completeness of bid.

A site visit and inspection of the existing roof is requested of prime contractors and their essential subcontractors and materials suppliers.

The association reserves the right to award the contract to the contractor with the bid which best represents the association's interests. This may or may not be the lowest priced bid.

All bids must be presented on the required bid form. Bids not presented in this manner will not be accepted and will be deemed non-responsive.

The successful Contractor will use the form of contract attached hereto, which will be prepared by the association's attorney reflecting the Contractor's bid information.

GENERAL CONDITIONS

As stated above, this is a performance-based design-build contract. The Contractor shall provide all engineering (whether "in-house" expertise or retained). All engineering design and calculations where required, must be provided by a qualified professional engineer. Contractor shall be solely responsible for its engineer's designs and calculations.

Contractor shall administer all aspects of the work through its engineer(s), forces, subcontractors and material suppliers. The association must approve Contractor's engineer, subcontractors and materials suppliers. Contractor as part of its bid will provide a listing of the noted members of its team.

Contractor shall operate through the direction of the chairman of the owners association at all times. All communication concerning the project shall be through the chairman. All paper work including: shop drawings, submittals, requests for payment, change orders (if any), certificate of substantial completion and release of liens, must be processed through the chairman.

Contractor shall be responsible for obtaining all applicable bonds, permits, or licenses required by authorities having jurisdiction over the work. Contractor shall be responsible for coordinating all inspections with authorities having jurisdiction over the

work.

Contractor shall stage the work to accommodate the owners' use of the property. Contractor shall ensure water-tight conditions at all times during the course of the work. Contractor shall provide a detailed progress schedule within 5 calendar days of contract award. Any closing of public areas, alleys, or sidewalks shall be coordinated with the municipality by the Contractor. Contractor shall coordinate use of space with the owners' association for staging and storage of materials, etc.

The working hours for this project shall be 7:30 a.m. to 5:00 p.m. Monday through Friday. Weekend work may be coordinated with at least 48 hours prior notice to the owners' association.

Subsequent to a contract award, the chairman of the owners' association shall notify Contractor of a time for the preconstruction meeting. Contractor upon notification, shall have all forces, both staff and subcontractors, present to observe and discuss the full dimensions of the work.

When providing submittals, shop drawings, or designs, Contractor shall provide three sets.

It shall be the Contractor's responsibility to examine the site and verify all existing conditions relative to the work. Contractor shall review any available building plans on site. Contractor shall investigate all materials to be removed and/or replaced and verify that they fully understand the scope of the work.

As stated elsewhere in this invitation to bid, this is a design-build project. Contractor shall be responsible for all material selection, designs, locations, calculations, loads, connections, drawings, and specifications.

Contractor shall be responsible for providing appropriate protection barriers to limit access to the work area and to maintain safety for building occupants during phases of the work which encroach on public areas, e.g., entryway, sidewalks and alley areas.

Unless otherwise provided, Contractor shall warrant all work, equipment and materials for a minimum period of two (2) years from the date of Substantial Completion. Manufacturer products warranties which exceed one (1) year shall be identified in the warranty manual provided by Contractor. Contractor shall be responsible for its project design. Contractor shall warrant that its design shall cause all aspects of the work to perform as intended and in accordance with industry standards. Any design errors identified by two (2) professional engineers shall be corrected by Contractor at no cost to the owners' association. Contractor will indemnify the owners' association for any errors

or damages.

All material, until installed, shall remain the responsibility of Contractor. Contractor shall take all appropriate measures to protect the work and shall be responsible for any and all damages caused to any aspect of the work and existing components of the building by actions of its staff or subcontractors. All materials shall be installed in accordance with manufacturer's recommendations.

TECHNICAL PROPOSAL

All bids must be presented on the required bid form. Bids not presented in this manner will not be accepted and will be deemed non-responsive. During contract negotiation the Beneficiary may request such additional information as it deems necessary.

The successful Contractor will use the form of contract attached hereto, which will be prepared by the association's attorney reflecting the Contractor's bid information.

BID FORM

Bid Prepared By (Insert Contractor's Name & Address)

For Roof Removal/Replacement at:

**Speranta Owners Association
Block 21 Calea Bucuresti
Oradea, Romania**

Contractor shall prepare bid by including ALL required cost itemization as noted below:

- (1) Base Bid to remove and dispose of existing roof and appurtenant materials. It will be Contractor's responsibility to test and identify any and ALL asbestos or other regulated substances in work area. _____lei
 - (a) If Contractor identifies asbestos requiring abatement, Contractor shall provide a unit cost for same, state in dollars per square foot of presumed asbestos containing material (PACM) to be removed _____lei. In addition, Contractor shall inspect work area and provide an allowance for estimated quantity of PACM (if any) that may require abatement. Quantity _____ s.m.
- (2) Base Bid to install new roof and ALL appurtenant materials; flashings copings, vent collars, stops, etc. required for successful installation of manufacturer's product in accordance with all applicable codes and municipal regulations. _____lei
 - (b) Unit cost to repair/replaced any damaged decking. _____lei
- (3) TOTAL Base Bid incorporating items 1, & 2 from above, state in total dollars inclusive of ALL taxes, licenses, permits, and municipal construction bonds _____lei

- (4) State below ALL manufacturer's warranties for materials you propose to install. List material description, manufacturer's name and duration of both manufacturer's warranty as well as Contractor's labor warranty.

IN WITNESS WHEREOF, The bidder has hereunder set its hand this _____ day
of _____, 1997.

FIRM NAME: _____

BY: _____ Title: _____

BY: _____ Title: _____

BY: _____ Title: _____

FORM OF CONTRACT

Please refer to Appendix F for the recommended form of Construction Contract.

APPENDIX I

CASE STUDY BUILDING A SLOPED ROOF

CASE STUDY BUILDING A SLOPED ROOF

BACKGROUND

Alpha building in Cluj-Napoca was constructed by the State in 1987. The building contains twenty flats on five floors. Most of the flats have three or four rooms, although there are a few one room flats. The building was built to house more affluent and more influential citizens of the city. All rooms are larger than average and contain above-average features (for example, hardwood parquet flooring, exhaust fans in kitchens, etc.). The exterior of the building is adorned with ceramic brick trim and the stairwell has large glass window walls. Some balconies are circular. The building itself occupies a corner lot and is irregularly shaped.

The 43 residents of the building are mostly middle-aged and older. There are a few children and a few widows/widowers. Those not retired are professional or business people. The residents formed an owners association with unanimous consent. They separated from their tenants association and negotiated the return of their savings held by the tenants association. The building is self managed, and the president of the association is a private businessman who is familiar with construction.

BUILDING CONDITION SURVEY

A building condition survey was conducted by a licensed engineer, who prepared a report of findings for the owners association. The report indicated that the building structure and systems were generally in good condition, due mostly to the fact that the building was relatively new. It did note that the cooking gas distribution pipes in the building probably would function without leaks for only another five years. Further, the valves on the domestic water and heating distribution systems needed preventive maintenance.

Most important, the engineer reported that the roof membrane, though young, had reached the end of its useful life. The roof system was a multi-ply asphalt and pitch membrane on a flat concrete surface. Unfortunately it had only two plies, which had been poorly installed. The membrane was badly blistered and had split open in several locations so that the concrete deck was visible. As a result there was chronic water penetration into top floor apartments. Also there was no thermal insulation. As a result top floor apartments were very hot in summer and very cold in winter.

The engineer recommended that the roof membrane be replaced immediately and estimated costs for both hydro and thermal insulation.

THE SPECIFIC PROJECT ANALYSIS

When the residents met in General Assembly to discuss the roof replacement, a number of people suggested that the association consider building a sloped roof instead of replacing the flat membrane. Many people were very skeptical of flat roofs. All agreed that the building had a shortage of storage space and that the space created beneath a sloped roof would be an ideal storage area. The General Assembly agreed to retain an architect to design and estimate the cost of a sloped roof and thermal insulation.

The association president was authorized by the General Assembly to act as the project manager for the roof project. The president approached an architect who had designed a sloped roof for a neighboring building. The architect agreed to prepare a plan and cost estimates; he and the president negotiated a fee to do so. The architect began his work.

It must be noted that the president by this time had made two mistakes. First, he did not competitively bid the design work. He did not talk to any other architects or solicit other offers. Second, he did not discuss the project in detail with the architect. He did not tell the architect what the association's objectives were. He did not ask the architect about alternative approaches or the ramifications of alternative material selections.

The architect submitted a plan which specified a tile roof. Because of the unusual physical shape of the roof area, the architect had little flexibility in the design of the roof structure. It was complex and would be expensive to construct. However, the tile roof surface was the most expensive approach the architect could have chosen, a fact that was not lost on the building residents when they were confronted with the architect's cost estimate. The total cost for the job was estimated at nearly 44 million lei, including taxes, permits and design. After several heated exchanges with the president of the association, the architect agreed to revise the design to incorporate metal sheeting as the roof surface. He did so only after demanding and receiving additional payment from the association.

The revised plan was accompanied by a revised total cost estimate of slightly less than 36 million lei. The architect also announced that he would do no more work for the association. The association for its part had not intended to use the architect further.

PLANNING AND FUNDING THE RENOVATION

The association now had a complete architectural design for a sloped roof. They had a detailed cost estimate of 36 million lei for the project. The design and budget are important components of the renovation plan. The plan needed the execution and financing components – how the association was going to do the project and how they were going to

pay for it.

Their first discussions focused not on the execution of the project, but rather on how to pay for it. The association had a bit more than 8 million lei in their savings account. They would need to raise an additional 28 million lei (an average of 1.4 million lei per apartment). The owners unanimously ruled out bank loans for the association or individually. Many people did not believe bank loans could be secured. Regardless, nobody wanted to consider bank loans. One astute owner pointed out that bank loans made no economic sense, because banks were charging interest rates of 60 percent per annum. His point was correct, but it really did not influence the decision.

Several owners indicated that they were prepared to pay their pro rata share of the amount to be raised. Many owners were reluctant to make such a commitment. The president was quite certain that a few owners did not have the ability to pay or to raise their pro rata share. He felt that most of the others had in hand at least part of their fair share and could probably raise the balance within six to twelve months through savings or from family.

The owners agreed that one other source of funding might be savings realized in the cost of construction. They further agreed to aggressively pursue every possible means of reducing the cost of the project. Every lei cut from the 36 million lei budget was considered to be one less lei they needed to finance.

The association had planned from the beginning to hire a general contractor to construct the new roof, so they decided to use the bidding process as the first place to cut costs. They hoped the contractors' bids might come in below the estimates.

COMPETITIVE BIDDING

Members of the association made inquiries around the county, and within a few weeks' time they were able to identify three private general contractors who appeared qualified to do the work. The firms had all been in business at least one year, each was recommended by at least one person familiar with its work, and all had done similar projects. The association refused to consider the former state-owned construction company. The resulting bidder list was short (3 firms), but there were no other qualified firms.

The association prepared and distributed to each of the three firms a request for proposals (bid package). This package contained a complete set of the plans and specifications and the materials list. The architect's cost estimates had been removed. The request for proposals also included:

Date, time and place where the bids were to be submitted

A requirement that each bidder visit the building and meet with the president

Desired start and completion dates for the work
Work hours and other ground rules governing the work (general conditions)

During his visit to the building one contractor mentioned several changes which could be made to the plans and specifications and which would reduce the cost of the job, without sacrificing quality or integrity. One change, for example, involved a slight modification to the method of anchoring the roof to the building structure. Intrigued by this the president asked all three contractors to submit a list of possible changes and the savings which might be expected from each. When the president had compiled the three responses he was excited to learn that this process (known as value engineering) could reduce total project cost by nearly 7 percent to 33.5 million lei. He revised the request for proposals to incorporate the value engineering changes and sent a copy of the revision to each bidder.

During this time a resident in the building reported to the president about a conversation she had had with a friend who was also a member of an owners' association. This association had recently made major repairs to the domestic water distribution system in their building. The friend stated that the association had purchased the materials directly from a supplier and had contracted the labor only. The friend stated also that the association had reduced the cost of the project substantially by buying the materials itself. The president revised the request for proposals again to request that the bidders provide two prices. In addition to the turnkey material and labor price the contractors were to give a price which excluded materials. This second bid would be a price to construct the roof using materials provided by others. Because of the changes made to the request for proposals the association agreed to extend the bid deadline by two weeks.

It is important to remember that at this point in the process the total project budget was 33.5 million lei. Of this amount 4,773,000 lei represented design fees, permit fees and other fees which would be paid to parties other than the contractor. The budget for materials, labor, transportation and value added tax was 28,727,000 lei. This is the figure against which the bids would be measured.

While the contractors were preparing their bids, members of the association were frantically scrambling to identify sources from which they could purchase the materials directly. Although they could not find one source which could provide all materials, they did locate sources for all of the specified materials. For most materials (the metal roof sheeting excepted) they were able to find more than one source. All sources worked on a cash and carry basis. Therefore the association would be forced to arrange transport of the materials to the site.

This alternative was an enormous undertaking. It involved many members of the association, and it required a great amount of time. When completed the owners saw that

they could purchase all of the materials and have them delivered to the site at a cost of 17 million lei. This cost represented a savings of nearly 31 percent from the delivered materials budget of 24,427,000 lei. Of course, please remember that the budget included the contractors overhead, his profit and a 5 percent allowance for error. These figures approximated 23 percent of the total materials budget, but in addition to saving this amount, the owners had shaved another 8 percent of the expected cost.

All three contractors submitted bids as requested. The bids to provide materials and labor ranged from 26,750,000 lei to 28,500,000 lei (compared to the 28,727,000 lei revised budget). The bids excluding materials ranged from 4.7 million lei to 5.6 million lei compared to 4.3 million budgeted. The owners could see immediately that if they went ahead and purchased the materials themselves for 17 million lei, even with the high bid of 5.6 million, their costs would be 22.6 million compared to the lowest turnkey price of 26,750,000 lei.

At a general assembly the owners voted unanimously to purchase the materials directly. A review of the finances revealed the following: Using the 8 million lei savings for the material purchase would leave a shortfall of 9 million lei. An informal polling of the owners revealed that it was likely that all owners could meet their pro rata obligations of a special assessment to complete the materials purchase. It was also clear that not all owners could simultaneously pay their pro rata share of the labor and equipment cost.

After the meeting the president met privately with each owner to determine the precise status of the project. Approximately one half of the owners could and were willing to pay immediately their pro rata share of the material purchase plus the labor (less the association's savings). The balance of the residents could indeed pay their share of the material, but simply could not immediately come up with additional funds for the construction. The president did determine that all could pay their share over time periods ranging from several months to one year.

The president went back to the contractors to see what he could negotiate. The low bidder was inflexible. The high bidder indicated some flexibility, but this was the contractor the president felt was the weakest. The middle bidder at 5.1 million very candidly offered to accept payment over six months in equal installments in return for an increase of 10 percent in the total price. The president saw that this would lead to a total cost only 100,000 lei higher than they would have incurred had they used the high bidder.

The president went back to owners who needed time to raise their pro rata share of the labor cost. All but one agreed that they could meet their obligation in six monthly installments. The remaining individual insisted she would require a full year. Having come this far, the president offered and the owner accepted a private agreement whereby the president would personally make up the owner's shortfall during the first six months and the owner would repay him during the second six months.

The general assembly unanimously agreed to purchase and have delivered the materials for 17 million lei. They agreed that payment would be made utilizing the 8 million savings and a special assessment against the owners of 9 million lei. The owners unanimously authorized the president to contract the labor and equipment requirements of the project for a total price of 5.61 million lei to be paid in six equal monthly installments.

The president negotiated and entered into a contract with the contractor. This contract had a form very similar to the contract form found elsewhere in this manual. The association purchased the materials, all of which were safely delivered to the job site. The contractor began work within one week of the date he had agreed to start and finished the construction in six weeks. Completion was delayed nearly two weeks by inclement weather. All owners made their installment payments as agreed, and the installment payments to the contractor were made in timely fashion.